

Message Text

PAGE 01 STATE 292996 TOSEC 310411

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TO USDEL SECRETARY PRIORITY

LIMITED OFFICIAL USE STATE 292996 TOSEC 310411

FOL REPEAT LONDON 19405 ACTION SECSTATE DTD 1 DEC.

QUOTE

PASS TREASURY, FRB, NSC

E.O. 11652: N/A

TAGS: EFIN, UK

SUBJECT: JAVITS AND REUSS ON ASSISTANCE TO BRITAIN

1. SENATOR JAVITS AND CONGRESSMAN REUSS HAVE BEEN IN LONDON, SEEING A NUMBER OF BRITISH MINISTERS, OFFICIALS, AND IMPORTANT PRIVATE CITIZENS, AND HAVE MADE PUBLIC THEIR VIEWS ON THE SENSITIVE SUBJECT OF ECONOMIC ASSISTANCE TO THE UK.
 2. SENATOR JAVITS, IN A WEDNESDAY MORNING PRESS CONFERENCE HELD AT THE EMBASSY, STRESSED ABOVE ALL ELSE THAT, WHILE NO CONGRESSIONAL ACTION IS REQUIRED FOR THE PROPOSED 3.9 BILLION IMF CREDIT TO GO THROUGH, ANY OF FURTHER ACTIONS TO AID BRITAIN THAT HAVE BEEN DISCUSSED WOULD, IN HIS JUDGMENT AS AN EXPERIENCED MEMBER OF CONGRESS, REQUIRE CONGRESSIONAL ACTION.
 3. SENATOR JAVITS SAID THAT WHILE THE FOREIGN RELATIONS COMMITTEE DID NOT SEND OFFICIAL "EMISSARIES" ABROAD, THE CHAIRMAN AND RANKING MINORITY MEMBER OF THE COMMITTEE HAD FELT HE WAS APPROPRIATE TO LOOK INTO THE BRITISH SITUATION. HE HAD SEEN THE PRIME MINISTER,
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ROBERT SHELDON (JUNIOR TREASURY MINISTER), HAROLD LEVER, ROY JENKINS, GORDON RICHARDSON, KEITH JOSEPH, AND A NUMBER OF BANKERS, BUSINESS LEADERS, AND ECONOMISTS. WHILE HE DID NOT RESPOND DIRECTLY WHEN ASKED WHETHER SHELDON AND LEVER HAD ASKED FOR ACTION ON STERLING BALANCES SIMULTANEOUS WITH THE GRANTING OF THE IMF LOAN, HE REPORTED HIS IMPRESSION THAT THE BRITISH GOVERNMENT THINKS ACTION ON STERLING BALANCES IS AS IMPORTANT AS THE IMF LOAN. HE WISHED TO CLARIFY WHAT HE SAW AS THE STATE OF AMERICAN PUBLIC AND CONGRESSIONAL OPINION.

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5. A FINANCIAL COLLAPSE IN THE UK COULD ABORT THE RECOVERY OF THE INDUSTRIAL WORLD, PERHAPS EVEN TAKE THE WORLD WITH IT. WHILE THE U.S. IS IN PRETTY GOOD SHAPE, EVEN IT COULD BE AFFECTED.

6. THE U.S. HOPES THAT THE UK WILL RECEIVE THE IMF LOAN. WHILE IT IS NOT FOR THE US OR FOR HIM AS A SENATOR TO EXPRESS A VIEW ON WHAT DETAILED ACTIONS THE UK SHOULD TAKE, PEOPLE IN THE US FEEL THAT IT IS APPROPRIATE TO SET "PERFORMANCE STANDARDS" FOR THE UK. THESE SHOULD TAKE THE FORM OF "OBJECTIVE FINANCIAL CONDITIONS" FOR THE IMF LOAN.

7. THE IMF LOAN. WHILE IMPORTANT, IS NOT THE WHOLE LIMITED OFFICIAL USE
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BEYOND THE BOUNDS OF CLEAR EXECUTIVE POWERS.

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LIKE MILTON FRIEDMAN, THAT BRITAIN IS GOING DOWN TO INEVITABLE RUIN. ON THE OTHER HAND, WE CANNOT CONDONE OR GO ALONG WITH A CONTINUANCE OF PAST POLICIES. IF THE UK WANTS US PUBLIC AND CONGRESSIONAL AGREEMENT TO FURTHER AID, THE UK MUST FOLLOW A BETTER "PERFORMANCE ROUTE" THAN IT HAS SINCE 1968. AND ESPECIALLY SINCE THE OIL CRISIS OF 1973. WHILE IT IS NOT AN AMERICAN'S PLACE TO EXPRESS A PREFERENCE FOR ONE POLITICAL PARTY OR ANOTHER, OR TO SAY DO THIS OR THAT WITH INCOME TAX OR VAT, IT IS APPROPRIATE FOR THE US TO SET PERFORMANCE STANDARDS. AS EXAMPLES OF WHAT IS WRONG WITH THE UK, HE CITED THE LACK OF CONFIDENCE OF FOREIGN HOLDERS IN STERLING; THE PROBLEMS CAUSED BY THE EFFECTIVE DEVALUATION OF THE POUND; AND PROBLEMS OF COMPETITIVENESS AND PRODUCTIVITY. THESE NEED CORRECTION.

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COLLAPSE. NEVERTHELESS, HE WOULD VOTE FOR RUNNING THAT RISK".

10. A QUESTIONER PURSUED SENATOR JAVITS ON THE POINT THAT HE DID NOT, LIKE CONGRESSMAN REUSS, BELIEVE THAT THE IMF LOAN AND FURTHER MEASURES SHOULD BE LINKED; THE QUESTIONER SUMMED UP JAVITS' VIEWS AS BEING, LOOK AT POST-IMF-LOAN PERFORMANCE BEFORE DOING MORE.

11. SENATOR JAVITS SAID THE SCENARIO HE HOPED FOR WAS THAT THE IMF LOAN WOULD BE AGREED TO WITHOUT IT BEING CONDITIONED ON DOING SOMETHING ON STERLING BALANCES, BUT THERE SHOULD BE NO FORMAL LINK BETWEEN THE TWO. THE DISCUSSIONS OF STERLING BALANCES SHOULD TAKE PLACE PRETTY SOON BECAUSE THE UK WILL NEED ASSISTANCE BEYOND THE IMF LOAN. HOWEVER, THE US (AND THE OTHER BIG POTENTIAL CREDITORS) MUST HAVE "FREEDOM OF ACTION". (THIS APPARENTLY MEANS THEY SHOULD NOT BE BOUND, BY THE FACT OF AN IMF LOAN, TO TAKE ANY FURTHER ACTION.) IN RESPONSE TO A FURTHER QUESTION, SENATOR JAVITS SAID HE WOULD NOT BE OPPOSED TO A STATEMENT BEING MADE AT THE TIME THE IMF LOAN IS ANNOUNCED, OF US WILLINGNESS TO TALK ABOUT STERLING BALANCES.

12. CONG. REUSS ON NOVEMBER 29 SPOKE TO A LUNCHEON MEETING OF THE INSTITUTIONAL INVESTORS CONFERENCE, AND TOOK QUESTIONS FROM THE AUDIENCE; AFTERWARDS HE GAVE A PRESS CONFERENCE. WE HAVE LISTENED TO TAPES OF THESE SESSIONS; WE HAVE NOT YET OBTAINED A TAPE OR TRANSCRIPT OF A BBC INTERVIEW HE GAVE THE SAME DAY.

13. CONG. REUSS, TOO, HAS SEEN MANY LEADING FIGURES; HE REPORTED AT THE PRESS CONFERENCE THAT HE HAD SEEN HEALEY AND WAS SEEING HIM AGAIN LATER THE SAME DAY; HE HAD ALSO SEEN LEVER AND RICHARDSON, AS WELL AS SOME COMMERCIAL BANKERS.

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(A) BRITAIN SHOULD NOT LOOK TO THE U.S. FOR TOO MUCH LIMITED OFFICIAL USE
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LEMESTIC AND INTERNATIONAL OBLIGATIONS OF THE U.S., INCLUDING POTENTIAL AID TO OTHER TOTTERING ECONOMIES. THE UK COULD EXPECT NOT JUST FRIENDSHIP BUT VERY CONSIDERABLE THOUGH NOT LIMITLESS FINANCIAL HELP FROM THE U.S.--"NO MAGNA CARTA FOR THE YEARS AHEAD." HE ALSO NOTED THAT THERE IS UNDER THE AMERICAN SYSTEM AN UNFORTUNATE HIATUS. HE COULDN'T FAULT CARTER FOR BEING UNABLE AND UNWILLING TO ASSUME A DECISION-MAKING ROLE BEFORE JAN. 20, NOR FORD AND SIMON FOR CONTINUING TO ACT OUT THEIR ROLES; BUT HE FELT IT UNFORTUNATE, PARTICULARLY AS THE ELECTORATE HAD DEFEATED THE REPUBLICANS BECAUSE THEY HAD TENDED TO LET THE ECONOMY STAGNATE.

(B) IT WOULD BE WRONG FOR THE IMF OR THE US TO IMPOSE THE WRONG REMEDIES ON THE UK. THE BRITISH ECONOMY'S PROBLEMS ARE STRUCTURAL, AND RESOLVING THEM WOULD BE MORE DIFFICULT, NOT EASIER, IF THE UK WERE FORCED TO DEFLATE AND INCREASE UNEMPLOYMENT. THE IMF SHOULD NOT IMPOSE OLD-FASHIONED CONDITIONS ON THE UK, STRESSING BUDGET CUTS AND MONEY SUPPLY MEASURES. THIS APPROACH WOULD BE INCONSISTENT WITH WHAT REUSS DESCRIBED AS A NEW "MICRO-ORIENTED" ADMINISTRATION IN THE U.S. TO IMPOSE SUCH CONDITIONS WOULD BE TO COMMIT THE CARTER ADMINISTRATION TO AN OLD APPROACH IT REJECTED. SINCE THE IMF IS RESPONSIVE TO ITS EXECUTIVE DIRECTORS, THIS SHOULD BE AVOIDABLE. INSTEAD, THE IMF AND THE BRITISH GOVERNMENT SHOULD WORK OUT A LETTER OF INTENT WHICH WOULD ATTACK THE STRUCTURAL PROBLEMS--THINGS LIKE FEATH-

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ARMSTRONG

UNQUOTE ROBINSON

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TO USDEL SECRETARY PRIORITY

LIMITED OFFICIAL USE STATE 292996 TOSEC 310411

FOLLOWING TEL SENT ACTION SECSTATE FROM LONDON DEC 01:

QUOTE LIMITED OFFICIAL USE LONDON 19405

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Disposition History: n/a
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Document Number: 1976STATE292996
Document Source: ADS
Document Unique ID: 00
Drafter: S/S-O DLMACK
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D760445-0848
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
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Line Count: 512
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Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 19 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 MAY 2004 by BoyleJA>; APPROVED <19 MAY 2004 by GarlanWA>
Review Markings:

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Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JAVITS AND REUSS ON ASSISTANCE TO BRITAIN
TAGS: EFIN, OREP, UK, US, (JAVITS, JACOB K), (REUSS, HENRY S)
To: SECRETARY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006